

February 8, 2000

Honorable Richard J. Carey, Senate Chair
Honorable Thomas M. Davidson, House Chair
Joint Standing Committee on Utilities & Energy
115 State House Station
Augusta, ME 04333

Re: LD 2488, An Act to Support E-9-1-1 Database Development and
Maintenance and to Lower Fees Charged to Users for Equipment
Replacement Costs

Dear Senator Carey and Representative Davidson:

For the following reasons, the Commission will testify in opposition to LD 2488, An Act to Support E-9-1-1 Database Development and Maintenance and to Lower Fees Charged to Users for Equipment Replacement Costs. Our testimony will address the first of the two issues contained in the bill. The Commission will be present at the work session and will be pleased to work with the Committee as it considers this bill.

Commenting on LD 2488 is difficult because the bill does not specify the mechanism that will be used to compensate local exchange carriers (LECs). We believe that the bill's intent is to compensate the LECs from the E-9-1-1 fund that has, until recently, been funded through a surcharge on telephone bills. However, our comments are general enough to incorporate other possibilities.

If the bill intends to create an additional surcharge on LECs' customer bills, or increase the surcharge that already exists, then we oppose the bill. Telephone customers need not be burdened by additional, potentially confusing, surcharges. The cost of doing business is more appropriately placed in utilities' core rates.

The Commission further suggests that, as a general policy, legislation should not guarantee utilities automatic recovery of single-issue expenses. A regulatory mechanism exists to compensate utilities, through their rates, for all costs of doing business. During a rate proceeding, the Commission determines the correct expenditure levels to recover through rates. These expenditures include mandated expenses. Over time, some of a utility's expenses will increase, while other expenses decrease; utilities accommodate these changes in their normal business operations. If the net change in expenditures increases to a level that impairs a utility's ability to

realize a fair return on its investment, the utility may ask the Commission to review and adjust its rates. If the net change in expenditures decreases so that the utility is "over-earning," the Commission may initiate a rate case. In addition, the Commission may permit a utility to raise rates for a one-time, mandated cost that exceeds the normal cost of doing business. This comprehensive balancing of all utility expenses and ratepayer needs is how the Commission achieves the statutory requirement of rates that are "just and reasonable" to both ratepayers and the utility.

We do not argue that the expenses associated with E-9-1-1 implementation are inappropriate. We simply suggest that, as a general rule, cost items not be singled out for special recovery by legislative mandate.

The Commission urges the Committee to report out LD 2488 as ought-not-to-pass for the reasons expressed above, understanding that we might have misinterpreted the intent of this bill. If you have any questions, please contact me.

Sincerely,

Marjorie R. Force
Legislative Liaison